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SUBJECT: PDAS STEPHENS' MEETING WITH DEPUTY UNIFICATION  
MINISTER: ROKG CONTINUING SUSPENSION OF AID TO NORTH,  
SUPPORTS SIX PARTY TALKS, LOOKS FORWARD TO DISCUSSING PEACE  
REGIME WHEN FEASIBLE

Classified By: A/POL Brian McFeeters. Reasons 1.4 (b/d)

SUMMARY

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1. (C) Deputy Minister of Unification for Unification Policy and Public Relations Lee Kwan-sei told EAP Principal Deputy Assistant Secretary Kathy Stephens that the ROKG was cautiously optimistic about progress at the next round of Six Party Talks (6PT), would continue the suspension of rice-and-fertilizer aid to the North until there was progress in those Talks, and that he hoped that denuclearization would occur to the point where the ROKG and USG would be able to discuss a peace regime for the Korean peninsula. PDAS Stephens told Deputy Minister Lee that the USG remained committed to the 6PT process, saw continued suspension of ROKG aid to the DPRK as the right course for now, and the USG too hoped to see enough progress on denuclearization to permit the beginning of discussions of a peace regime. End Summary.

SIX PARTY TALKS

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2. (C) Deputy Minister of Unification Lee told PDAS Stephens that Assistant Secretary of State Christopher Hill's comments in Seoul on January 19, along with DPRK Vice Foreign Minister Kim Gye-gwan's comments to the media in Moscow had created the impression of progress toward an agreement between the USG and the DPRK. He also had the impression that Pyongyang had moved toward accepting the USG's December denuclearization proposal after taking time to digest it, and that the USG was showing increased flexibility recently, including toward Banco Delta Asia (BDA). He asked Stephens what the DPRK's KCNA news service might have meant by announcing that a "certain agreement" had been reached in Berlin.

3. (C) PDAS Stephens confirmed President Bush's and Secretary Rice's commitment to the 6PT process, which was reflected in recent efforts from the USG to see if the DPRK was prepared to live up to its commitments under the September 2005 Joint Statement. She said that the goal now was to move quickly to capture the momentum resulting from A/S Hill's meetings not only in Berlin, but afterward in Seoul, Tokyo and Beijing, to obtain an "early harvest," but she agreed with Lee that it was important to temper expectations. She noted that the her recent meetings in Beijing give her the impression of the

Chinese being seriously and more actively engaged on the issue of DPRK denuclearization. In that context, she noted that the ROKG's decision to continue its suspension of rice and fertilizer aid to the DPRK, though not easy, was an important part of the negotiating effort. On BDA, Stephens told Lee that Treasury and USG remained obligated to enforce U.S. counterfeiting and money-laundering laws, though it was possible that a solution to the BDA issue could be worked out following pending financial talks between the USG and DPRK; even so, UNSCR 1718 would remain in effect for the foreseeable future. The DPRK had to learn to act responsibly in accord with its international obligations.

¶4. (C) Replying, Lee expressed concern that the ROKG may have gone too far in suspending not only aid but also virtually all other aspects of its exchange policy with the North. He hoped that progress on denuclearization would allow the ROKG to resume aid and reopen its bilateral channel with the DPRK after a "seven-month deadlock." This would allow the ROKG to influence the North bilaterally in tandem with the 6PT process. Lee noted that he resented criticism of the ROKG as not doing enough to put pressure on the North, because the ROKG had done all that it could do and more than any other country to pressure the DPRK.

#### PEACE REGIME

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¶5. (C) Lee asked for an update on State Department attention to the peace regime issue, and whether the Department had a timeframe in mind for working on the issue. Stephens replied that the USG hoped for significant progress on denuclearization of the DPRK that would allow work across a range of fields, including on a peace regime for the Korean

peninsula; but denuclearization progress had to come first. She noted that the USG and ROKG had usefully begun to discuss the issue bilaterally during the immediate aftermath of the September 2005 signing of the Joint Statement. In the meantime, US and ROK should continue to address general alliance issues in the broad context of building toward a lasting peace on the Korean peninsula.

#### DPRK DEVELOPMENTS

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¶6. (C) At the end of the meeting, Lee noted that he had accompanied Minister of Unification Lee Jae-joung on his January 25 visit to the Kaesong Industrial Complex and to the city of Kaesong, which the DPRK had cleaned up in consideration of opening it to ROK tourists. (Note: Another MOU official accompanying the Minister told us privately that she was shaken by the glimpse of Kaesong, because of the obvious poverty she likened to the ROK in the 1960s. END NOTE.) He also said that he understood that the DPRK had taken down the banners put up last year that celebrated its nuclear weapons test, though he did not know if the move had policy significance.

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